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DEPARTMENT OF AUDITOR-CONTROLLER**

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May 23, 2008

TO: Supervisor, Yvonne B. Burke Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe *Wendy Watanabe*
Acting Auditor-Controller

SUBJECT: **SAN PEDRO COMMUNITY LEGAL SERVICES – A DEPARTMENT OF
PUBLIC SOCIAL SERVICES COMMUNITY SERVICES BLOCK GRANT
PROGRAM PROVIDER**

We have completed a program, fiscal and administrative contract compliance review of San Pedro Community Legal Services (SPCLS or Agency), a Department of Public Social Services (DPSS) Community Services Block Grant (CSBG) Program provider.

Background

DPSS contracts with SPCLS, a private non-profit organization, to provide and operate the CSBG Program. The CSBG Program promotes the principles of self-help and assists low-income families and individuals to become self-sufficient. SPCLS provides domestic violence victims with legal assistance on a variety of legal matters, including restraining orders, paternity, custody, visitation and immigration matters. SPCLS is located in the Second and Fourth Districts.

SPCLS was compensated on a cost reimbursement basis and had a contract for \$29,335 for Calendar Year 2007.

Purpose/Methodology

The purpose of the review was to determine whether SPCLS complied with its contract terms and appropriately accounted for and spent CSBG funds in providing the services

outlined in their County contract. We also evaluated the adequacy of SPCLS' accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed a number of SPCLS staff.

Results of Review

The ten participants sampled met the eligibility requirements for the CSBG Program and received the services outlined in the County contract. However, SPCLS overbilled DPSS \$1,432 and did not maintain the required level of crime insurance coverage.

Subsequent to the completion of our review, we were notified that SPCLS' contract with DPSS will not be renewed when it expires on June 30, 2008. If DPSS contracts with SPCLS again, DPSS needs to ensure that the Agency takes the appropriate corrective actions to address the recommendations in this report.

We have attached the details of our review along with recommendations for corrective action.

Review of Report

We discussed our report with SPCLS on March 10, 2008. In their attached response, SPCLS management indicated that the recommendations are no longer applicable since the Agency will cease operations as of June 30, 2008. SPCLS also repaid the County \$1,378 of the \$1,432 in overbillings identified in the attached report.

We notified DPSS of the results of our review and thank SPCLS for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

WLW:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Philip L. Browning, Director, Department of Public Social Services
Laurie Cambra Seplow, Executive Director, San Pedro Community Legal Services
Public Information Office
Audit Committee

**COMMUNITY SERVICES BLOCK GRANT PROGRAM
SAN PEDRO COMMUNITY LEGAL SERVICES
FISCAL YEAR 2007-08**

ELIGIBILITY

Objective

Determine whether San Pedro Community Legal Services (SPCLS or Agency) provided services to individuals that meet the eligibility requirements of the Community Services Block Grant (CSBG) Program.

Verification

We reviewed the case files for ten (23%) of the 44 program participants that received services from July through August 2007 for documentation to confirm their eligibility for CSBG services.

Results

All ten program participants sampled met the eligibility requirements for the CSBG Program.

Recommendation

There are no recommendations for this section.

PROGRAM SERVICES

Objective

Determine whether SPCLS provided the services in accordance with their County contract and CSBG guidelines.

Verification

We reviewed the documentation contained in the case files for the ten participants that received services from July to August 2007.

Results

SPCLS provided the services as outlined in the County contract. The case files for the ten program participants contained documentation to support the services billed to Department of Public Social Services (DPSS).

Recommendation

There are no recommendations for this section.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's July and August 2007 bank reconciliations.

Results

SPCLS appropriately recorded and deposited cash receipts timely to the Agency's bank account. However, SPCLS did not always comply with the County contract requirements. Specifically, SPCLS:

- Did not adequately segregate their cash handling procedures. The Executive Director recorded cash receipts, prepared checks, approved bank reconciliations and an administrative assistant received and deposited cash.
- Did not prepare bank reconciliations in a timely manner. The July and August bank reconciliations were not prepared until December 2007 and were not signed by the preparer or the reviewer.
- Did not submit monthly invoices in a timely manner. SPCLS submitted July and August 2007 invoices in October 2007. The County contract requires the Agency to submit monthly invoices no later than the 10th of the following month.
- Issued two checks payable to cash totaling \$600 in July and August 2007. The County contract does not allow the Agency to issue checks payable to cash.

Recommendations**SPCLS management:**

1. Ensure that there is segregation of duties over the cash handling functions.

2. Ensure that bank reconciliations are signed by the preparer and the reviewer.
3. Ensure that monthly invoices are submitted to DPSS no later than the 10th calendar day of the following month.
4. Discontinue issuing checks payable to cash.

EXPENDITURES/PROCUREMENT

Objective

Determine whether non-payroll program expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and other documentation to support eight non-personnel expenditure transactions billed by the Agency for July and August 2007, totaling \$1,378.

Results

SPCLS' invoice for August 2007 did not reconcile to its accounting records. The invoice reported \$1,064 more in travel, supplies and other program expenditures than the Agency's general ledger for January through August 2007.

Recommendations

SPCLS management:

5. Repay DPSS \$1,064.
6. Maintain adequate supporting documentation to support the expenditures billed to the program.

ADMINISTRATIVE COMPLIANCE

Objective

Determine whether SPCLS is in compliance with program and administrative requirements.

Verification

We interviewed Agency personnel and reviewed their policies and procedures manuals.

Results

Generally, SPCLS was in compliance with the Contract requirements. However, SPCLS did not maintain the required level of crime insurance coverage.

Recommendation

7. **SPCLS management obtain the required level of crime insurance coverage.**

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether SPCLS' fixed assets and equipment purchased with CSBG funds are used for the CSBG program and safeguarded.

We did not perform testwork in this section as SPCLS did not use CSBG funding to purchase fixed assets or equipment.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures are appropriately charged to the CSBG Program. In addition, determine whether personnel files are maintained as required.

Verification

We reviewed payroll expenditures for four employees totaling \$3,054 during July 2007. We also interviewed staff and reviewed the personnel files for the four staff assigned to the program.

Results

SPCLS appropriately charged payroll expenditures to the CSBG Program and maintained personnel files as required by the County contract. However, supervisory staff did not review or sign staff timecards to validate the accuracy of hours charged to the CSBG Program.

Recommendation

8. **SPCLS management ensure that employees' timecards are signed by their supervisors.**

COST ALLOCATION PLAN**Objective**

Determine whether SPCLS' Cost Allocation Plan was prepared in compliance with the Contract and the Agency used the plan to appropriately allocate shared program expenditures.

Verification

We reviewed SPCLS' Cost Allocation Plan and reviewed a sample of expenditures incurred by SPCLS during July and August 2007 to ensure that the expenditures were properly allocated to the appropriate programs.

Results

SPCLS' Cost Allocation Plan was prepared in compliance with the County contract. However, SPCLS did not allocate the shared accounting costs based on the Cost Allocation Plan. Specifically, SPCLS overbilled DPSS \$111 by using a higher allocation rate than indicated in the Cost Allocation Plan. In addition, SPCLS billed \$38 in space costs that were not supported with adequate documentation.

Recommendations**SPCLS management:**

9. **Repay DPSS \$149 (\$111 + \$38).**
10. **Allocate the shared costs in accordance of their approved Cost Allocation Plan.**
11. **Ensure that shared costs are adequately documented.**

CLOSE-OUT REVIEW**Objective**

Determine whether SPCLS' final close-out invoice for calendar year 2006 reconciled to the Agency's financial accounting records.

Verification

We traced SPCLS' general ledger to the Agency's final close-out invoice. We also reviewed a sample of expenditures incurred in 2006.

Results

SPCLS' close-out invoice did not reconcile to its accounting records. The close-out invoice reported \$219 more in travel, supplies and law library costs than the Agency's general ledger.

Recommendations**SPCLS management:**

12. Repay DPSS \$219.
13. Ensure that the Agency's financial records support the amount billed to DPSS.

RECEIVED
L.A. COUNTY
20 MAY 15 PM 3:29
AUDITOR-CONTROLLER

S P C L S

J. Tyler McCauley
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 525
Los Angeles, CA 90012

May 9, 2008

RE: San Pedro Community Legal Services
CSBG Contract # 35230

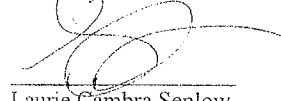
Dear Mr. McCauley:

Per the March Compliance Review for our agency, please find enclosed a check in the amount of \$1,378.

Also, please be advised that San Pedro Community Legal Services will be ceasing operations as of June 30, 2008. Therefore, the other recommendations in the Compliance Review are no longer applicable to our agency.

Thank you for your time and attention.

Sincerely,



Laurie Cambra Seplow
Executive Director

Enc.

San Pedro Community Legal Services
Post Office Box 311 San Pedro, CA 90733
Tel 310/521-1180 Fax 310/831-6122